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Korea Creates TRQ for Pork Imports

Report Categories:

Livestock and Products

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Report Highlights:

On January 28, 2011, the Korean government announced that the import duty for 60,000 MT frozen pork would be dropped to zero over the next six months in order to combat rising domestic pork prices resulting from the FMD crisis. In the coming months, the government will reassess the situation to decide whether to extend the duty cut for the second half of the year.

Policy:

On January 28, 2011, the Korean government announced (Government Gazette #17437) that it would cut the import duty on 60,000 MT of pork from 25 percent to zero until June 30, 2011. The government hopes that this action will help curb rising domestic pork prices, which have been spiraling upward due to the widespread FMD cull. In the coming months, the government will reassess the situation to decide whether to extend the TRQ for the second half of the year.

The tariff cut will be managed through a temporary tariff rate quota (TRQ), which is divided into two parts. The first part is 50,000 MT of raw ingredients for processed meat products, such as sausage. The Korea Meat Industry Association (KMIA), which represents about 80 percent of the local meat processors, will allocate this portion of the quota to members and non-members based on several factors, including: domestic pork usage; total pork usage in 2010; and annual production plans.

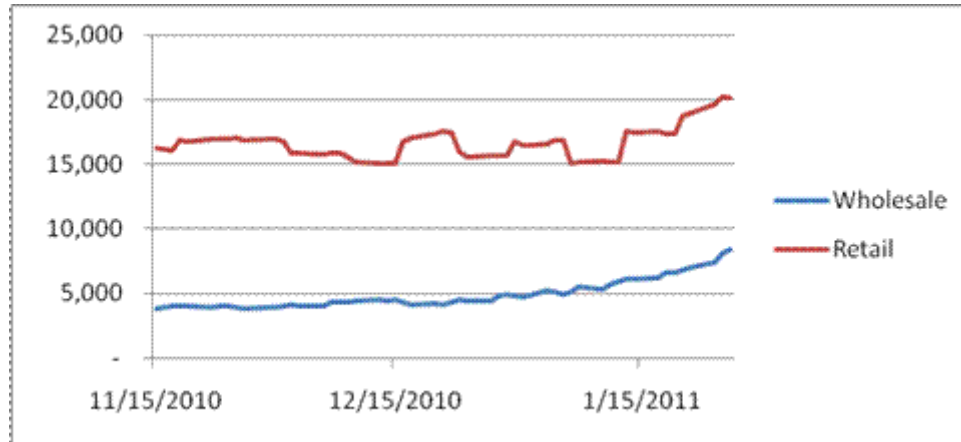
The remaining 10,000 MT of the quota is frozen pork bellies to be sold in the retail market. The Korea Meat Trade Association (KMTA) will allocate this portion of the quota to retail stores based on outlet's total pork sales and targeted retail price. Retailers willing to sell at a lower price than their competitors will be in a better position to win the allocation.

Product	HS Code	Current duty	TRQ duty	TRQ volume	Remarks
Frozen pork belly	0203.29.1000	25	0	10,000 MT	Imports up to June 30, 2011
Frozen pork	0203.29.9000	25	0	50,000 MT	

The TRQ will allow the United States to compete with Chile on a level playing field (Note: Chilean pork is currently facing a 7.2 percent duty because of the Chile-Korea FTA.). As a result, the bulk of the TRQ is expected to come from the United States. The table at the end of the report shows pork imports for 2009 and 2010.

The following is a table showing the wholesale prices for pork carcasses and retail price for pork bellies. Wholesale carcass prices continue to climb upward because of the shortage of domestic pork. Retail prices have lagged wholesale prices since some store owners were artificially holding prices down since they were using pork as a loss leader. On January 12, however, retailers could no longer continue offering these discounts because wholesale prices kept rising.

Korea: Wholesale Carcass Price and Pork Belly Retail Price Comparison (Won/kilogram)



Korea: Pork Imports (\$000 and MT)

Country	2009		2010	
	Value	Volume	Value	Volume
U.S.A.	184,217	89,317	162,494	75,362
Chile	119,841	43,232	111,477	43,443
Canada	99,538	58,356	94,102	54,715
France	43,156	14,571	46,518	14,007
Austria	47,864	14,849	45,961	14,394
Netherland	40,431	11,485	44,663	13,382
Belgium	36,042	11,411	42,230	13,813
Spain	33,868	19,416	32,133	18,544
Other	67,515	32,297	84,736	41,550
Total	672,472	294,934	664,314	289,210

Source: KITA